



Company Report: Tien Phong Commercial Joint Stock Bank (TPB)

Analyst
 Trần Thị Hồng Nhung
 Mail: nhungth@gijas.com.vn – ext 703

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Update 1H2022 Results

1H performance

TPB reported profit growth of 10.8%ytd in the 1st haft 2022, driven by mortgage lending and consumer lending. Meanwhile, the bank still managed funding sources well with customers' deposits increasing 12% in 1H.

The bank's NII increased 22%yoy in 1H while non-NII income was supported by payment services and a large recoveries amount. PBT reached VND3,787 bn in 1H, + 26.3%yoy.

The bank continued to make provisions for bad debts. Restructured loans decreased while NPL was below 1% making the bank in the highest asset quality group.

COMMENTS

Digitalization strategy attributes to expanding the bank's customer base (1.5 million new customers in 1H) and profit in the short and long run.

We believe that lending and service activities will continue to improve in the 2nd haft. PBT of the bank would be around VND8,300 bn, equivalent to 37%yoy growth.

We maintain a "positive" view of TPB stock based on its splendid growth and good asset quality. The target price (6-18 months) is maintained at VND39,7000/share.

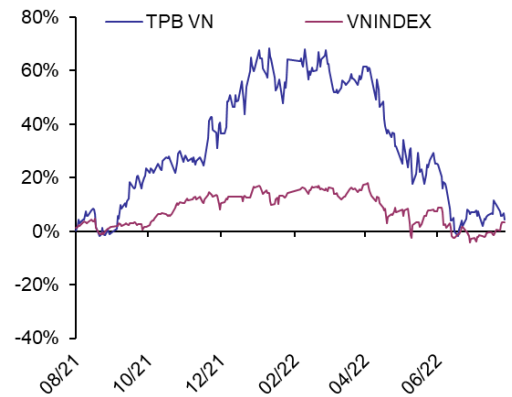
Recommendation:

Accumulate
(Maintained)

6-18m TP: **39,700**

Current price: VND28,000

Price performance



Price change	1 M	3 M	1Y
Abs. %	1.3	-13.6	6.6
Relative to VN index	4.8	-21.5	1.4
Avg price (VND)	27,257	28,925	33,564

Sources: Bloomberg, Guotai Junan (VN)

12/31	TOI (VND b)	Net Profit (VND b)	EPS (VND)	EPS (Δ%)	BPS (VND)	DPS (VND)	Yield (%)	NIM (%)	CIR (%)	ROE (%)
2020A	10,369	3,510	2,911	69.54	10,586	-	-	4.70	-40.48	23.54
2021A	13,517	4,830	3,691	26.79	16,430	-	-	4.59	-33.81	22.61
2022F	15,973	6,635	4,194	13.64	20,624	-	-	4.30	-35.00	22.64
2023F	19,931	9,494	6,002	43.10	26,626	-	-	4.42	-35.00	25.41
2024F	24,563	12,382	7,828	30.42	34,454	-	-	4.50	-35.00	25.63

Shares in issue (m)	1,581.76	Major shareholder (%)	Doji 5.93%
Market cap (VND b)	44,289.15	Free float (%)	55%
3- month average vol. ('000)	2,433.88	LDR (%)	75.0
52w high/low (VND)	44000 / 24778	CAR (%)	13.1

Sources: the Company, Guotai Junan (VN).

Full credit growth limit in 1H2022

TPB is among banks receiving the highest credit growth limits in 1H2022 (11.4%). The bank almost used full limits with credit growth recorded at 10.8% in the 1st half which was contributed by strong momentum in retail lending (+17%ytd). Meanwhile, SME lending was stable in the first half.

High credit growth supports the bank's NII to grow by 22%yoy. Besides, non-NII income increased 61%yoy, contributing to a 31% growth of TOI. More specifically, payment service income doubled was the main driving factor for the 72% growth in services income. Moreover, a large bad debt recoveries amount brought VND378bn to the bank's total income.

Improved asset quality

Restructured loan of the bank was reduced to VND900 bn at the end of Q2 and the bank made full provision for those items.

It is unlikely a short-term pressure for the bank as its risk management measures are safe. NPL ratio is under 1%. The ratio of short-term capital for medium and long-term loans is 31% at the end of Q2, meeting the requirement to be under 34% according to Circular 22/2019, effective from Oct 1, 2022.

Business prospect

TPB is continuing to promote digitalization and improve user experience including both individual and corporate customer groups. After 5 years of digitization, the bank has achieved significant achievements in expanding its customer base, average profit growth of 50% / year in the past 5 years.

We expect higher efficiency in TPB over the long term with a strong improvement in CASA ratio which currently is at just 15%, a low level compared to the industry average and other outstanding digitalization banks.

In the short term, we expect the better profitability in the second half of the year thanks to:

- + Higher NIM compared to 1H as many interest rate supportive loans implemented since the end of 2021 will expire and the bank can apply higher lending yield.
- + A new credit growth limit (expected to be over 15% for the whole year).
- + A splendid non-interest income guaranteed by international payment fees, insurance and card fees.

Thereby, we expect TPB to record a profit before tax of about 8,300 billion in 2022, corresponding to a growth of 37%yoy.

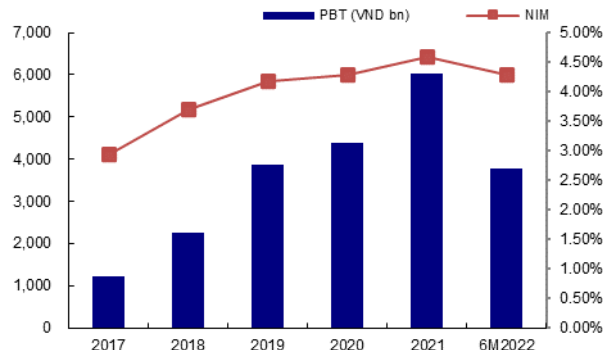
We maintain a "Positive" view towards TPB based on the growth prospects and good asset quality.

Figure-1: Credit breakdown



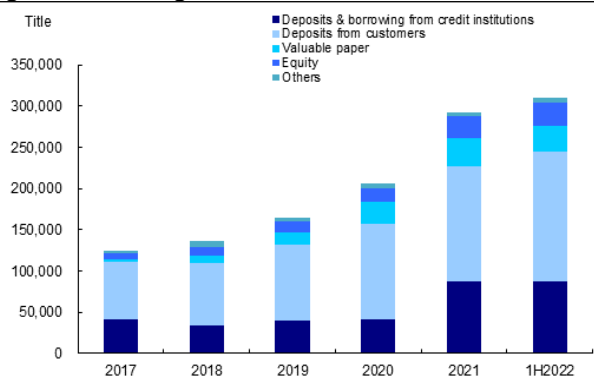
Source: TPB, Guotai Junan (VN)

Figure-2: PBT and NIM



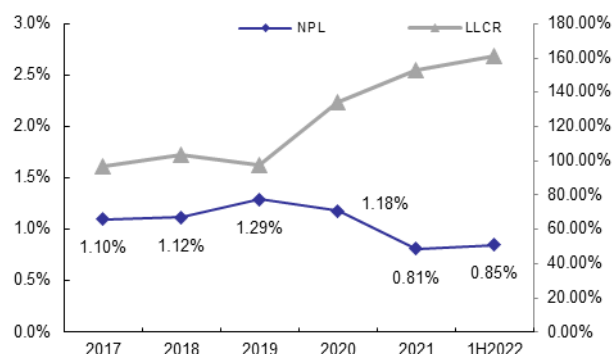
Source: TPB, Guotai Junan (VN).

Figure-3: Funding mix



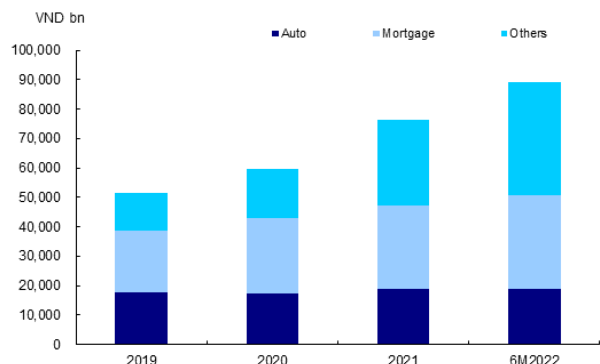
Source: TPB, Guotai Junan (VN)

Figure-4: Asset quality



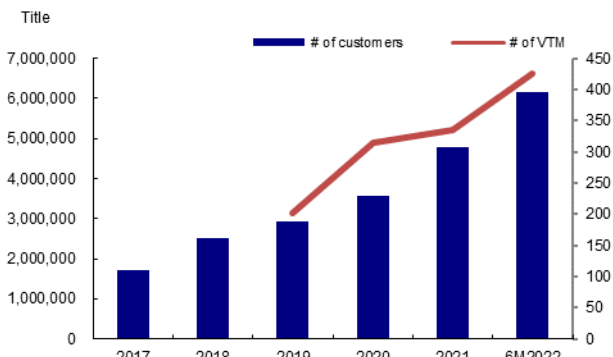
Source: TPB, Guotai Junan (VN)

Figure-5: Individual lending breakdown



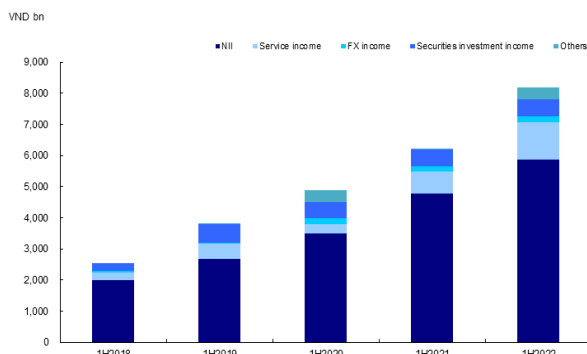
Source: TPB, Guotai Junan (VN)

Figure-6: Number of customers and VTM



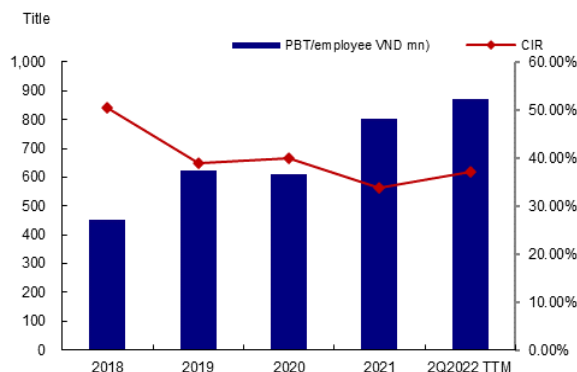
Source: TPB, Guotai Junan (VN)

Figure-7: TOI breakdown



Source: TPB, Guotai Junan (VN)

Figure-8: Operating Efficiency



Source: TPB, Guotai Junan (VN)

COMPANY RATING DEFINITION

Benchmark: VN – Index.

Time Horizon: 6 to 18 months

Rating	Definition
Buy	Relative Performance is greater than 15% Or the Fundamental outlook of the company or sector is favorable
Accumulate	Relative Performance is 5% to 15% Or the Fundamental outlook of the company or sector is favorable
Neutral	Relative Performance is -5% to 5% Or the Fundamental outlook of the company or sector is neutral
Reduce	Relative Performance is -15% to -5% Or the Fundamental outlook of the company or sector is unfavorable
Sell	Relative Performance is lower than -15% Or the Fundamental outlook of the company or sector is unfavorable

SECTOR RATING DEFINITION

Benchmark: VN – Index

Time Horizon: 6 to 18 months

Rating	Definition
Outperform	Relative Performance is greater than 5% Or the Fundamental outlook of the sector is favorable
Neutral	Relative Performance is -5% to 5% Or the Fundamental outlook of the sector is neutral
Underperform	Relative Performance is lower than -5% OrThe Fundamental outlook of the sector is unfavorable

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GUOTAI JUNAN VIETNAM RESEARCH & INVESTMENT STRATEGY

Trần Thị Hồng Nhung

Equity Analyst- Banking sector

nhungth@gtjas.com.vn

(024) 35.730.073 – ext:703

Võ Thế Vinh

Head of Research

vinhvt@gtjas.com.vn - ext:701

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CHỨNG KHOÁN GUOTAI JUNAN (VIỆT NAM)
GUOTAI JUNAN SECURITIES (VIETNAM)

CONTACT	Hanoi Head Office	HCMC Branch
Advising: (024) 35.730.073	R9-10, 1 st Floor, Charmvit Tower, 117 Trần Duy Hưng, Hà Nội	4 th Floor, No. 2 BIS, Công Trường Quốc Tế, P. 6, Q.3, Tp.HCM
Stock ordering: (024) 35.779.999	Tel: (024) 35.730.073	Tel: (028) 38.239.966
Email: info@gtjas.com.vn Website: www.gtjai.com.vn	Fax: (024) 35.730.088	Fax: (028) 38.239.696

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